

Secret



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

NAVY review completed.

State Dept. review completed

DHS review(s) completed.

Secret

24 March 1972
No. 0362/72

Copy

CONTENTS (24 March 1972)



25X1

- 1 The View From the Kremlin:
Brezhnev Surveys Foreign Policy
- 3 South Asia

FAR EAST

- 5 Indochina
- 10 China: Paralysis on Personnel

25X6

EUROPE

- 14 Soviet Regional Development Uneven
- 15 The Great Submarine Rescue
- 16 Italy: Shifting Tactics
- 17 French Leader Calls Referendum
- 18 Sweden: All Is Not Well
- 19 Ceausescu's African Journey

**MIDDLE EAST
AFRICA**

- 20 Israel-Jordan
- 23 Iran: Dissatisfaction and Dissent
- 23 Cyprus: Archbishop on a Tightrope
- 24 Tunisia: The Succession Issue

25X1

**WESTERN
HEMISPHERE**

- 26 Castro to the USSR Again
- 27 Chile This Week

25X1
25X6
25X1

**SPECIAL
REPORTS**

- A Spain: A Future Without Franco

25X1
25X1,1

SECRET



Party chief Brezhnev's careful formulations of Soviet foreign policy this week suggest that there are some within the leadership who still need to be convinced of the efficacy of Brezhnev's detente policies. Speaking to a trade union congress on 20 March, Brezhnev was unusually frank in acknowledging difficulties encountered by Soviet policies. He admitted that Soviet policy toward West Germany was a touchy question in the USSR and expressed some disquiet about the results of President Nixon's trip to Peking.

Brezhnev provided Moscow's first authoritative comment on the President's visit. He said that

"subsequent deeds" of the US and China would bring out the real significance of the talks; he implied that the dialogue in Peking went beyond bilateral Sino-American interests. He also listed unrequited Soviet efforts to achieve a reconciliation with the Chinese, including the first public mention of a Soviet scheme for a non-aggression pact. On the same day as the speech, TASS announced that Deputy Foreign Minister Ilichev had returned to Peking to resume border talks with the Chinese after a three-month hiatus. The Soviets probably are anxious to get a fresh reading of Chinese intentions following the Nixon visit.

SECRET

SECRET**Relations with the US**

Partly because of last month's summit in Peking, Brezhnev's remarks were designed to project a self-assured, yet cooperative, image. He appeared to be trying to counter any suspicion that the Soviets are on the defensive before their own summit meeting with the US and to convince Washington that the prospects for improved relations are brighter than for some time.

Brezhnev offered an explicit endorsement of SALT just one week before negotiations resume in Helsinki. Brezhnev also implied that the USSR hopes for substantial accomplishments at the summit. He omitted the usual pledges to match US military spending with "increases in our own military might."

West Germany and the EC

While defending Soviet policy toward Bonn, Brezhnev urged West Germany to make the "responsible choice" in favor of cooperation rather than confrontation. He altered the previously negative Soviet policy on the European Communities (recognizing the reality of the Common Market) in a move designed in part to strengthen Chancellor Brandt's position on his Ostpolitik treaties.

Bilateral trade relations with EC members will end in January 1973, and this is a problem that Moscow must face up to regardless of the fate of the German treaties. The recent favorable Chinese approach to the EC may have provided additional incentive to move quickly.

Asian Policies

The general secretary's remarks on Asia stressed the importance the USSR attaches to strengthening its position in India and to improving its relations with Japan. Brezhnev also referred to his 1969 proposal for an "Asian collective security system." The Soviets have no illusions that such an arrangement will take shape soon, but Moscow has resurrected the concept at this time as a device to exploit Asian concerns in the wake of the Sino-American summit and to counter increased Chinese prestige. Moscow's friendship treaty with India and warmer relations with Japan grew out of the same concerns.

In this connection, the Soviets are still trying to find ways to exploit Hanoi's discomfort over the improvement in Sino-American relations. Last October, President Podgorny went to Hanoi

25X1

Soviet attempts to woo the North Vietnamese are complicated by Moscow's concern that the US-China talks may have improved prospects for an Indochina settlement. Moscow must weigh this possibility against the dangers of being excluded from any Indochina negotiations or of damaging relations with the US by trying to obstruct a settlement.

25X1

SECRET

SECRET



South Asia



NEGOTIATION PROSPECTS

The withdrawal of virtually all Indian troops from Bangladesh last week removed a major obstacle to peace negotiations on the subcontinent, but other impediments remain. A major barrier to early negotiations over the important prisoner of war issue involves India's insistence that Bangladesh also participate, Mujib's refusal to join in talks with the Pakistanis unless Islamabad first extends formal recognition to his government and, finally, Bhutto's reluctance to grant such recognition.

The tough line toward Pakistan being taken in both Dacca and New Delhi may represent an effort to exploit the likelihood that Bhutto cannot procrastinate indefinitely because of domestic demands for the return of the 94,000 Pakistani military and civilian captives. India's willingness to respect Dacca's position on the recognition issue and to acquiesce in the Bengalis' determination to hold some war crimes trials indicates that New Delhi continues to give priority to cementing relations with Bangladesh rather than catering to Pakistani sensibilities in preparation for Indo-Pakistani negotiations. In a further effort to build a fire under Bhutto, Mrs. Gandhi has been at pains to appear in no hurry to set a date for talks. On returning from Dacca, she raised the possibility of holding lower level discussions "some-time or other" as a preliminary to an eventual Gandhi-Bhutto summit.

Bhutto was busy, too. Indo-Pakistani negotiations doubtless figured prominently in discussions between Bhutto and Soviet leaders in Moscow on 16-18 March. Bhutto's primary objective was to remedy Pakistan's strained relations with the USSR. Movement was limited. The joint com-

unique following the visit offered little of substance, nor is there any indication the Soviets will attempt to re-enact the mediatory role they performed at Tashkent in 1966.

Immediately on his return from Moscow, Bhutto addressed a mass public meeting in Lahore. It was a long-heralded speech, and speculation was rife that it would include a dramatic announcement on Indo-Pakistani or domestic affairs. This proved unfounded, but the speech again demonstrated Bhutto's expertise in rallying the masses. In contrast to seemingly conciliatory statements on Kashmir prior to the Moscow trip, Bhutto was unbending on Kashmir. He reminded the audience of a quarter million Punjabis that India has deprived the Kashmiris of their right to self-determination and that the dispute remains unresolved. Moreover, he pledged that Pakistan would not suffer humiliation in order to reach a settlement with India on prisoner repatriation and other issues.

Rhetoric and pressure tactics aside, movement toward comprehensive negotiations in South Asia appears to hinge on Pakistan's recognition of Bangladesh. Bhutto probably would not incur serious domestic opposition to this move because most Pakistanis seem resigned to the loss of the former east wing. Additionally, the US Embassy in Islamabad recently concluded that many educated Pakistanis lean toward normalizing relations with India, even at the cost of accepting the 1949 Kashmir cease-fire line as a permanent boundary. Bhutto is now absorbed in the task of assessing how deep this tolerance on Kashmir and India may run, taking into special account the sentiments of the military establishment whose raison d'être for the last quarter century has been confrontation with India.

SECRET

SECRET**STILL FACE TO FACE**

Some three months after the 14-day war, Indian and Pakistani forces are still deployed against each other along their common border. Neither side has made any attempt at wholesale withdrawal of combat personnel and some 250,000 Indian troops still stand against about 180,000 Pakistanis. Most of the units now deployed along the common border are likely to remain in place, at least until an agreement including border definition and exchange of prisoners has been reached.

New Delhi still holds more than 75,000 Pakistani troops captured in the fighting. Even with the eventual return of these prisoners and the resupply of Islamabad's armed forces, principally by China and France, India's military supremacy over Pakistan is assured for the foreseeable future. Elimination of the Pakistani threat along India's eastern border permits New Delhi to concentrate its attention in the west—the only area where the Pakistani Army could threaten India. Nonetheless, some 200,000 Indian troops remain available in the east to defend the border with China.

The Indians are capable of much greater reinforcement along the common border than are the Pakistanis. India could assemble in the area a ground force up to three times larger than any force Pakistan could muster. Although there were some losses in aircraft during the war, the Indians probably continue to hold at least a two to one advantage in fighter aircraft over the Pakistanis.

Renewed hostilities do not appear imminent. Both sides have lobbed shots at one another from time to time during the past few months, actions similar to those that followed the 1965 war. The forces of the two countries are on less than full alert status—India, for example, recently has returned some munitions to storage areas.

On purely military grounds, there are a number of considerations that place limits on the

present standoff. Maintaining large numbers of troops in the field for extended periods of time costs money, causes increased wear on equipment, brings maintenance problems, and poses a drain on POL stocks and other supplies. Aside from these logistics factors, there is the problem of troop morale, which cannot be maintained at a high level indefinitely under field conditions if there is no action.

BANGLADESH

In Bangladesh, meantime, a few parts of the country are experiencing serious food shortages. Government foodgrain stocks are low, particularly in the traditionally deficit districts. Bangladesh leader Mujib and other officials have complained to UN representatives that Bangladesh expected immediate and large-scale relief assistance, but little has so far arrived. Substantial foreign commitments have been made, but delivery has been slow, largely because Bangladesh's two main ports, Chittagong and Chalna, are clogged with sunken vessels. Last week, Mujib accepted a Soviet offer of salvage assistance, apparently because of UN slowness in providing promised assistance for the purpose. Continuing transportation difficulties inland are also inhibiting food distribution.

Some Indian Army elements have returned to Bangladesh to help quell unrest in the country's remote southeastern hill region. The troublemakers there include persons who collaborated with Pakistan last year and rebellious tribesmen from the nearby Indian territory of Mizoram. The problem is a legitimate concern of both countries since the dissidents operate on both sides of the border. Indian troops have not otherwise resumed involvement in the internal Bangladesh security situation. Bangladesh is likely to have continuing problems in the hill area; the inhabitants are predominantly non-Bengali tribesmen who fear domination by the country's Bengali majority.

25X1

SECRET

SECRET

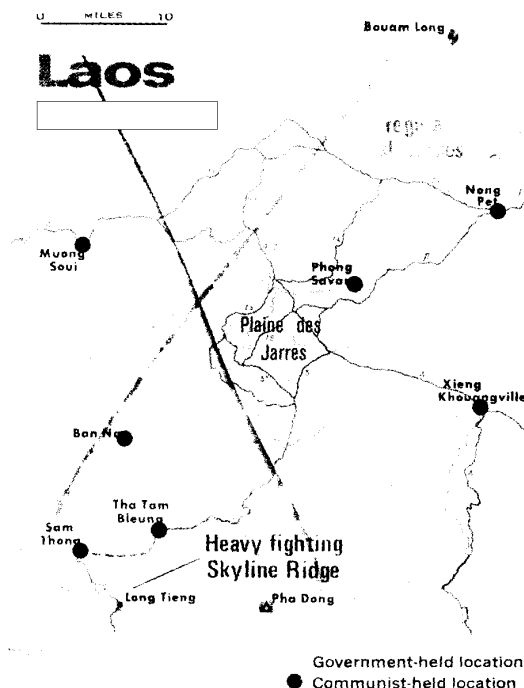
Indochina

LAOS: THE DRIVE ON LONG TIENG

The latest Communist offensive against Long Tieng is nearing the end of its second week, and the outcome of the battle is still in doubt. After routing irregulars from all their positions near Sam Thong on 18 March, the North Vietnamese concentrated on Skyline Ridge overlooking Long Tieng. Despite heavy shellings and air strikes, troops of the North Vietnamese 312th Division assaulted positions on the central and western portions of the ridge while units of the 316th Division shelled and probed irregulars on the eastern ridge. Enemy tanks supported the attacks in the Sam Thong area, and there are signs that these tanks are moving toward Long Tieng.



Long Tieng from Skyline Ridge



The battle for Long Tieng may be decided by whether the irregulars' morale or the North Vietnamese supplies give out first. Vang Pao's irregulars on Skyline Ridge have fought with tenacity, and the arrival of fresh troops on 22 March should bolster the defenders' morale. The Communists must also be feeling the effects of the heavy fighting and air strikes, but apparently their morale is still good.

Vang Pao's operation against the enemy's rear areas has had little effect so far on the Communist effort at Long Tieng. ~~Advance elements of two task forces~~ are very near Communist supply lines northeast of the Plaine des Jarres. For the moment the Communists apparently intend to counter Vang Pao's diversionary effort with Pathet Lao and North Vietnamese troops already in this area. There is no sign of troops being diverted from the attack on Long Tieng.

Since their dry-season offensive began in mid-December, the Communists have expended a

SECRET

SECRET

vast amount of materiel and troops in a sustained effort to capture the Long Tieng complex. Their apparent lack of reaction to Vang Pao's latest diversionary operation suggests that the Communists realize they may not get another crack at the stronghold this dry season if the present attempt fails.

A TUMULTUOUS WEEK IN CAMBODIA

President Lon Nol has begun his third year of rule by patching together a new government. After a number of prominent civilians refused to head up a cabinet pre-selected by Lon Nol, the ailing President turned to former exile leader Son Ngoc Thanh. The 63-year-old Thanh, who has been waiting patiently for many months on the political sidelines for just such a call, quickly accepted Lon Nol's offer to serve as "first minister" and minister of foreign affairs.

Thanh's acceptance of those posts without any major conditions indicates that he recognizes that Lon Nol—who now has added the rank of prime minister to his lengthening list of titles—intends to remain the dominant figure in the government. To underscore this point, Lon Nol let it be known that Thanh will coordinate but not direct the work of the other cabinet ministers.

Thanh's willingness to serve may stem in part from a belief that he can exercise a moderating influence on Lon Nol's authoritarian tendencies. At the same time, Thanh's announcement that Lon Nol alone picked the cabinet suggests that the new "first minister" is trying to preserve a measure of political independence. For the moment, Thanh is a definite asset to the regime. He has the respect of many well-known civilian politicians and few enemies. In addition, his anti-Sihanouk credentials, his strong attachment to a republican form of government, and his reputa-

tion for honesty should appeal to dissident students and their Buddhist supporters who are conducting anti-government protests.

Thanh represents the major new civilian face in the Lon Nol cabinet, which otherwise reflects the growing political role of the military establishment. In addition to retaining the Interior Ministry, the military picked up the important portfolios of defense, commerce, and education. The balance of the cabinet consists primarily of civilian technicians carried over from the previous one. The chances are that the new cabinet will be no more effective and may be less popular than its predecessor.

Meanwhile, the students, whose agitation was instrumental in excluding Sirik Matak from the cabinet, still pose a problem to Lon Nol. Although there apparently is some disagreement within student ranks over how far to proceed with demands for a return to constitutional rule, the protesting goes on. Thus far, Lon Nol has not taken a tough line against the students. At mid-week, he took note of one of their key goals and announced that a new constitution would be promulgated "in two weeks."

The War Hits Home

In the midst of this political tail-chasing, the Communists brought the war dramatically to Phnom Penh on 21 March. They broke a three-month lull by staging their heaviest shelling attack so far on the capital. Approximately 100 rocket rounds fell on Pochentong Airport and on crowded refugee quarters near the heart of the city, starting fires that caused numerous civilian casualties. The shelling was accompanied by a small-scale sapper attack against the government's main radio station a few miles east of the airport. Thirty-eight Cambodians were killed in this raid,

SECRET

SECRET

and the station suffered substantial damage. Two days later, enemy frogmen succeeded in sinking an oil tanker and damaging a freighter at anchor on the Mekong River near the docks of Phnom Penh.

South Vietnamese Operations

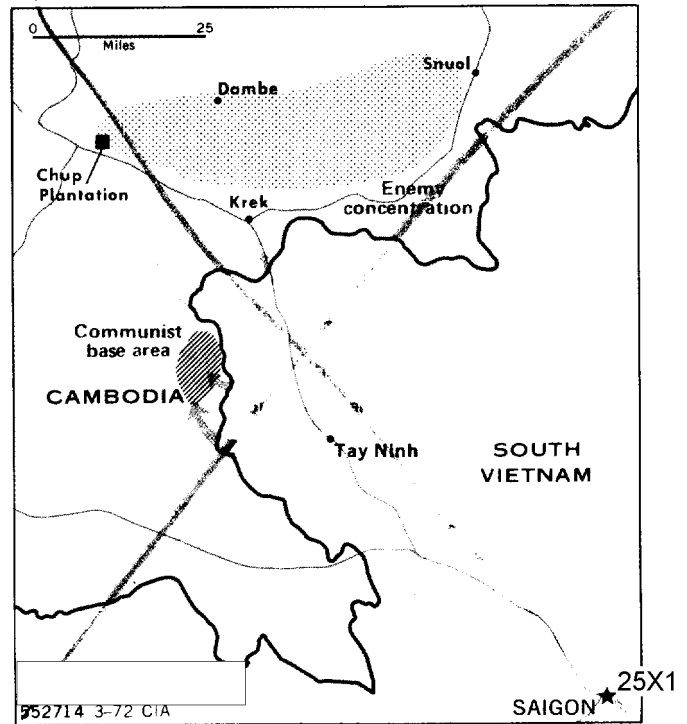
The South Vietnamese began a new stage of their current cross-border operation this week. While most of the 6,500-man task force continues to seek out Communist base complexes and supply dumps west of Tay Ninh Province, a small feint northward toward the Communist troop concentration near Krek is under way.

The first two-week phase uncovered large quantities of supplies and weapons and disrupted enemy rear-service units in one of the Communists' main staging areas for attacks into South Vietnam. Buoyed by the successes of the campaign thus far and with relatively few casualties, South Vietnamese planners believe that now is the time to clear out these border bases. General Minh, the commander of the MR-3 forces, will probably continue the drive as long as the Communists do not offer any significant opposition.

Of the 700 Communists reported killed by the South Vietnamese during the first stage of the operation, most were killed by air and artillery strikes and probably were logistics and rear guard personnel. So far, the Communists have not moved any part of their three-division force south to counter the operation west of Tay Ninh Province.

STRONG ATTACKS IN THE NORTH

After several weeks of heavy shelling just below the eastern end of the DMZ, Communist forces in Thua Thien Province mounted ground



and artillery attacks last weekend, and sharp fighting continued this week. The new battleground is in the mountains west of Hue. Elements of the North Vietnamese 324B Division and the 6th Regiment fired mortars and rockets into South Vietnamese field positions. More than 1,150 rounds were used in one bombardment. A ground assault included a force of two battalions—the largest such attack within South Vietnam for many months. Communist losses have been high, with more than 400 reported killed in these actions.

Although action in the northern provinces involves only a few of the enemy units in the area and remains localized, Communist military activity has picked up elsewhere. During the weeks preceding 11 March, the total number of daily

SECRET

SECRET

allied-initiated incidents were at least twice those initiated by the Communists, but the statistics began to shift the following week and, between 12 March and 20 March, Communist-initiated actions exceeded those of the allies.

NORTH VIETNAM: AIR DEFENSE BUILD-UP

Two new airfields are under construction in southern North Vietnam.

[redacted] a new field north of the Mu Gia Pass in an early stage of construction; its runway measures about 3,800 feet. Earlier this year, the North Vietnamese had begun work on another airfield east of Mu Gia; one third of the 5,600-foot runway has already been surfaced. If work continues at the present pace, this field could be ready for limited operational use in a month or so.

The rapid pace of construction at these airfields suggests that Hanoi may intend to mount a higher level of air operations during the next few months. By this summer, Hanoi could have six airfields in far southern North Vietnam capable of handling jet aircraft.

Party Re-building in North Vietnam

The party leadership in North Vietnam apparently has again declared open season on bureaucratic stagnation and corruption. Party functionaries have been engaging in some unusually frank self-criticism in the open press, much of it focused on the inter-related problems of recruitment and membership qualifications. A recent editorial in the party journal, *Hoc Tap*, admitted that up to 20 percent of the new members in some areas are below normal recruitment standards. One reason for this, according to the article, was the overzealousness of some party officials during the so-called "Ho Chi Minh recruitment drive" of the last two years. The drive reportedly has brought in party candidates with panache and enthusiasm at the expense of those with superior ideological qualifications. The journal hints darkly that cronyism and patronage by high-ranking party officials have helped open the door for unqualified recruits.

The "Ho Chi Minh drive" was aimed specifically at extending party membership (and control) to as many young people as possible. Partially as a result, about half of the party's current 1.1 million members are under 30 years of age. Many of the recent complaints about the poor quality of the membership lay the blame at youth's doorstep. Some editorials in the party and army newspapers have argued that the deficiencies of the party's youth are a primary cause of the lethargy among city dwellers and workers and of the slackness in the ranks of the army.

Several other editorials, however, have directed their harshest criticism at the party itself

25X1

25X1

25X1

25X1

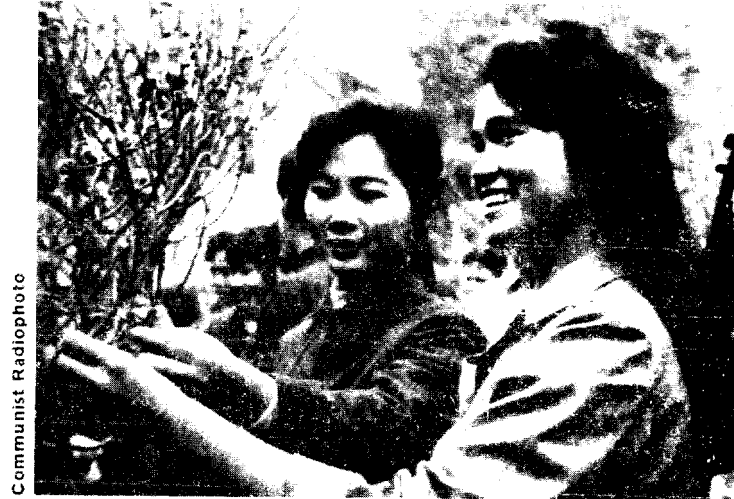
SECRET

SECRET

and its "insensitivity" to the needs of the people—with no special brief for either age or experience. National Assembly President Truong Chinh complained recently of the "bureaucratic and commandistic attitudes" of the party members. Soon afterward, a military journal pointed out that efforts to improve coordination between the party and its agencies in the army had proved disappointing. A *Hoc Tap* editorial, published soon after last fall's disastrous floods in North Vietnam, observed that the catastrophe had not been all bad since it had at least forced party members to buckle down to their basic responsibilities.

No one in the party leadership seems sure of what to do about this sort of problem. Some critics, especially those who are exercised about youth and recruitment difficulties, have called for a disciplinary crackdown and the expulsion of everyone not up to standard. Others, such as Hanoi's municipal party head, have urged subordinates, as well as the party as a whole, to allow freer debate and discussion and to avoid intimidating those who want to speak out. Still others have proposed traditional remedies. Truong Chinh, for example, has suggested that added doses of indoctrination should be sufficient to straighten out the problem cases.

Some of the proposals seem excessive and somewhat belated, since much of what ails the bureaucracy has been present for some time.



Communist Radiophoto

None of the party's critics has addressed the more basic question of the extent to which real reform is practical under present conditions. Certainly, the regime cannot be expected to go very far toward implementing a major crackdown or purge, since either measure could dangerously weaken the party's reach among the population as a whole. For similar reasons, no one at the top is likely to push very hard for a loosening of the party structure. With Ho Chi Minh's death, the party was deprived of the one person who was strong enough to tolerate significant bureaucratic innovation and charismatic enough to assure the people's loyalty and support through it all. Until an equally forceful personality takes the political helm in Hanoi, party reform is likely to remain a high ideal with a low priority.

25X1

SECRET

SECRET**China: Paralysis on Personnel**

Six months have passed since the regime was rocked by the dramatic Lin Piao affair, and there has been no discernible movement in filling vacancies in the military command or fleshing out the 25-member politburo from which ten civilian and military figures were purged. The delay in filling posts at the military regional and provincial levels is even longer—some of these positions have been vacant for two years. While this has not prevented Peking from administering the country quite effectively, the question of personnel selection at the highest levels, and thus of power configuration, is a central, and unsolved, problem.

At the top, only a dozen politburo members have been publicly active since last autumn, and the effective authority of some of these is in question. Madame Mao, for example, continues to rank immediately behind Premier Chou En-lai in the pecking order, but her low profile during President Nixon's visit and her diminished role in the current cultural thaw belies her public power position. Wang Tung-hsing, an important figure in security and party administrative affairs, and propagandist Yao Wen-yuan appear only infrequently, and there are tenuous indications that they may be under a political cloud. The long absence from Peking of Chen Hsi-lien, one of the ranking regional military leaders on the politburo, casts doubt on his influence on national decision-making. Moreover, Chen's conservative colleague, Hsu Shih-yu, the Nanking Military Region commander, reappeared in early February after an eight-month public absence but has not been seen since. Hsu's one appearance suggests there may be considerable resistance from radical forces, both civilian and military, to his political resurrection.

The most telling indicator of persistent maneuvering in Peking is the failure to fill any of the five vacancies at the apex of the military command structure created by the purge of Defense Minister Lin Piao and other senior military chiefs. One factor complicating the problem may

be disagreement as to whether the new appointees should also be elevated to the politburo rank held by the purged officers. This factor, however, does not explain the anomalous position of politburo member Yeh Chien-ying, who is a close colleague of Chou and is serving as China's top military representative without ever having been designated even acting defense minister. The military personnel equation in Peking is complicated by quarreling over the role to be given the army in the running of the country and, perhaps, by sectarian rivalries within the military hierarchy itself.

There is also a number of key vacancies below the politburo level. Two of China's 11 major military regions are without commanders; one of these posts has been vacant since December 1970. In Peking city, the top party and administrative slots have remained open since the political demise of politburo member Hsieh Fu-chih two years ago; the sensitive post of Peking garrison commander has been vacant for nearly as long. In southwest China, the recent death of Szechwan provincial chieftain Chang Kuo-hua and the prolonged absence of the principal leaders in Kweichow Province—both politically turbulent areas—confront Peking with difficult decisions.

The personnel situation is not much better in secondary levels of the central party and government hierarchy. Of the ten or so principal operational departments under the party central committee, only one post has been filled since the Cultural Revolution. Six government ministers were named in 1971, but a number of vacancies remain and there have been no new appointments since last November. Indeed, one veteran civilian official who was mentioned for a brief period last fall as the new minister of fuel and chemical industries is again being identified by his previous title of vice minister.

SECRET

SECRET

The personnel dilemma still confronting Peking does not necessarily mean that the relative influence of Chou En-lai and other moderate elements in the ruling elite has not been strengthened in the wake of the Lin Piao affair. Indeed, the pragmatic domestic and foreign programs associated with these men have been given added

momentum in recent months. Still, the delays reflect Chou's apparent inability to move decisively in areas clearly within his purview as premier—but then neither does any other member of the hierarchy appear able to exert paramount influence in personnel selection.

25X1

♦ ♦ ♦

SECRET

Page Denied

Next 1 Page(s) In Document Denied

SECRET**Soviet Regional Development Uneven**

Despite the official policy of economic equality throughout the USSR, regional economic differences widened during the 1960s and may continue to do so during the early 1970s. In the 1960s, Central Asia and the Transcaucasian republics had the lowest levels of development as the result of extremely rapid population growth, relatively small investment, and low productivity of labor and capital.

The Soviets have found it difficult to pursue maximum national economic growth and, at the

same time, reduce regional differences significantly. The emphasis on speedy development during the 1920s and 1930s, in conjunction with a shortage of capital, encouraged growth at existing industrial centers—the European part of Tsarist Russia. This imbalance has persisted, and today most of those regions with the highest income per capita still have the best investment opportunities.

This course of development has created three basic economic regions: the European USSR, which contains over two thirds of the country's population and three fourths of its industrial employment; the sparsely populated and little-industrialized Siberian and Far Eastern region; and the underdeveloped region of Central Asia and the Transcaucasus, which has one fifth of the population but only one tenth of industrial employment.

Regional differences in Soviet population growth reflect the world-wide trend of a declining natural increase as urbanization and incomes rise. In the Russian republic (RSFSR), for example, the birth rate is less than half that of the minority nationalities in Central Asia. Inter-regional migration aggravated these disparities as workers from the north flowed to the more favorable climate of the south. Regional wage differentials failed to stem the tide.

The investment policies of the 1960s did not favor consistently those republics with the lowest per capita national incomes. Although the Kazakh and Turkmen republics received more investment per capita than the richer republics, Georgia, Kirgizia, and Tadzhikistan were given only half the investment of the Kazakh republic. Moreover, greater investment in the less-developed regions is discouraged by the slow growth in their labor and capital productivity. Increases in industrial production are becoming relatively more expensive to achieve in these areas than in the developed western regions.

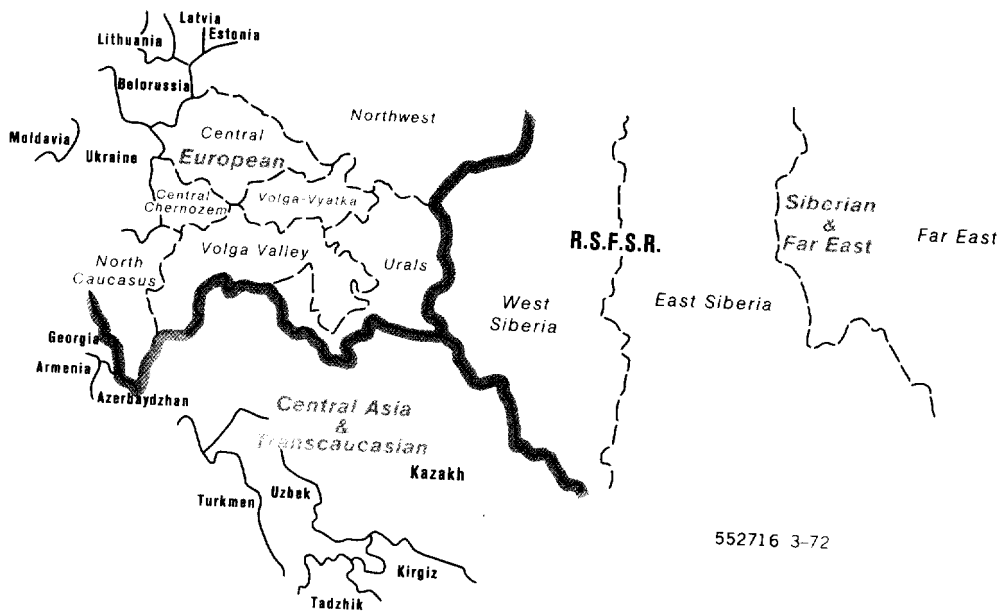
REGIONAL ECONOMIC INDICATIONS
(by rank)

	Per Capita National Income	Per Capita Industrial Output	Per Capita Agricultural Output
European Region			
Latvia	1	4	3
Lithuania	4	15	2
Estonia	2	3	1
Belorussia	9	17	5
Ukraine	5	6	10
Moldavia	8	19	9
RSFSR	3*	—	—
Center		1	19
Northwest		2	22
Urals		5	16
Volga-Vyatka		8	13
Volga Valley		9	11
North Caucasus		11	7
Central Chernozem		24	4
Siberian and Far East Region			
RSFSR	3*		
East Siberia		12	14
West Siberia		10	8
Far East		7	24
Central Asia and Transcaucasus Region			
Georgia	12	14	20
Armenia	7	13	21
Azerbaijdzhan	6	16	23
Kazakh	10	18	6
Turkmen	11	23	15
Uzbek	13	21	12
Kirgiz	14	20	17
Tadzhik	15	22	18

*Detailed breakdown not available

SECRET

SECRET



The new five-year plan suggests that the geographic pattern of development will not change radically during 1971-75. The plan does not contain a program for a coordinated redistribution of capital and labor. Indeed, if industrial

growth must depend primarily on increased productivity, as the Soviet leadership says it must, the development gap is likely to widen.

25X1

THE GREAT SUBMARINE RESCUE

The H-class nuclear submarine that was disabled in the North Atlantic four weeks ago continues to be the object of the largest rescue operation ever mounted by the Soviet Navy.

The Soviets have succeeded in moving the ballistic-missile submarine about 1,200 nm. to an area north of Scotland, but it has not been easy because of storms and high seas. An ocean-going tug finally succeeded in attaching a line to the submarine early last week and is towing the H-class at four to five knots. At this rate, another week will pass before the submarine arrives in a Northern Fleet area port.

The helicopter carrier *Leningrad* and about ten other ships are in the area of the stricken submarine. Helicopters from the *Leningrad* are making numerous flights with provisions and equipment. The US Coast Guard cutter *Gallatin* has been at the rescue scene and on 18 March noted that stretcher-like objects were being taken off the submarine.

Although it has been a month since the submarine was forced to surface east of Newfoundland, the cause of the original emergency is still not clear. The loss of power and the towing operations suggest, however, that the problem involved the main propulsion plant.

25X1

SECRET

SECRET

Italy: Shifting Tactics

The scheduling of parliamentary elections this spring—almost a year early—is forcing the parties to make some quick adjustments as they scurry for votes.

To undercut the appeal of the far right, the Christian Democrats have substituted a "law and order" campaign for their usual intricate balancing of personal and political interests. Mariano Rumor, the Christian Democratic minister of interior and would-be prime minister, has staged a series of well-publicized police actions in the wake of recent violence. To allay fears of price escalation, the minority Christian Democratic government has decided to seek further delay in implementing the value-added tax system required by Italy's Common Market partners.

Pushed by a faster-paced election schedule than they had anticipated, the Social Democrats have abandoned former president Giuseppe Saragat's policy of cozying up to the Socialists, in the belief that emphasis on anti-Communism will poll more votes. The Socialists, on the other hand, are wooing leftist votes from the faltering, Soviet-supported Proletarian Socialists.

The Communists

already have lost a week, having spent all of the last one tied up in their long-scheduled 13th party congress. With an eye to the electorate, Secretary General Berlinguer softened the party's opposition to NATO. Instead of the usual call for Italy to leave the alliance, Berlinguer asked that Western Europe develop so as to "free itself from American hegemony."

The activist and far-left Manifesto group has settled on tabloid hero Pietro Valpreda, an anarchist, as one of its candidates. Valpreda has been accused, but not tried, in the deaths of 16 persons in a Milan bombing in 1969.

Congress of the Italian Communist Party



SECRET

Giorgio Almirante, leader of the neo-fascists, is stressing his party's claim to be the true "national alternative of the right." He has insisted on selecting some candidates from outside. With the evident intent of exploiting concern in Italy over the shrinking Western presence in the Mediterranean, for example, the neo-fascists have chosen Admiral Gino Birindelli to head their election list in Naples. Birindelli, NATO's former naval commander in the Mediterranean, was expelled from Malta last June for right-wing views. The neo-fascists are no longer anti-American.

Meanwhile, the opening of the campaign has stalled the unification of Communist and non-Communist labor confederations. The unification, earlier scheduled for completion in 1973, would mark a further step in the integration of the Communists into Italian political life. Organized labor has shown increasing skill in negotiating on social and economic reforms with the government. For the duration of the campaign, the confederations seem likely to maintain a common front in labor activities, but they will delay further action on the merger until the election results are in and their portents assessed.

French Leader Calls Referendum

President Pompidou's announcement of a referendum on enlargement of the European Communities was prompted by domestic considerations, although he may hope it will yield benefits abroad as well. Expansion of the EC already enjoys great popular support in France, and the referendum may further divide opposition political parties long at odds over the Common Market.

In a press conference on 16 March, Pompidou again gave priority to France's internal problems and its European policies. His surprise decision to hold a referendum—a device much used by De Gaulle—will focus political debate this

spring on a popular foreign issue and distract attention from the government's domestic shortcomings. The latest polls show that well over 60 percent of the French favor the construction of a united Europe. A large majority thus is expected to vote yes in the referendum in late April or early May.

The opposition, looking to parliamentary elections next year and caught flat-footed by the referendum, has denounced Pompidou's decision to bypass parliamentary ratification of the accession. The French Communist Party adamantly opposes expansion of the Community, while the Socialists, Radical Socialists, and centrists generally favor enlargement. Disagreement over the enlargement issue will complicate efforts of the non-Communist left to reach an electoral alliance with the Communists before next year's parliamentary races. Mindful of this and of Moscow's apparent shift on recognition of the EC, the Communists may find it politic to shift their ground.

In addition to domestic gains, Pompidou hopes that a strong mandate will strengthen his hand in deliberations with the European Communities. He may also hope the referendum will demonstrate solid support for his broader European policy, which is geared toward France's leadership of a confederal, non-supranational Europe independent of the US.

25X6

SECRET

SECRET

Sweden: All is Not Well

Sweden's ruling Social Democrats are in a serious slump, primarily because of the sluggish economy and differences over centralization of government. Although their minority government does not appear in any immediate danger, its prospects in the election next year are not as bright as they were.

A recent opinion poll indicated that the popularity of Prime Minister Palme's party had slipped to 42 percent, down nearly ten points from its high three years ago. The same poll showed that 50 percent favored the three bourgeois parties, though these parties normally fight as much with each other as with the Social Democrats. With 26 percent of opinion in support of the leading opposition Center Party, its chairman was prompted to say that if the bourgeois parties receive a majority in next year's election they will definitely put together a coalition without the Social Democrats.

The Communist Party, which took a drubbing in 1968 as a result of the Czechoslovak crisis, has regained some ground and is now, the polls show, the choice of 5.5 percent of the populace. Until lately, Palme could count on the 17 Communist representatives in parliament to achieve a majority in close votes. Earlier this month, the Communists abstained on an unpopular government proposal on further centralizing the government; the bourgeois opposition seized the opportunity to press for a return of authority to the provincial governments. Three days later, the Social Democrats renewed their wooing of the left, announcing that Sweden intended to propose continued aid to North Vietnam and "national liberation" movements in Southeast Asia. Other gestures to the left may be made as long as the government feels vulnerable.

Adding to Palme's troubles, a protest by a small group of irate Swedish housewives in February has sparked a nationwide campaign against high food prices. Some 120 "action groups" have sprung up throughout Sweden. In addition to spontaneous demonstrations to dramatize their cause, the ladies have boycotted such products as milk, beef, veal, and pork. The "milk strike" caused sales to drop by an estimated six percent in the Stockholm area during its first ten days. Despite price reductions by a few food stores, the boycott tactics may be extended to other items if the government does not do something to reduce prices generally. At least one opposition party leader has pledged to take up the housewives'



Swedish Housewives Protest

SECRET

SECRET

cause if the government continues to ignore the issue.

The over-all economic situation is not critical. While there was no growth in Sweden's real Gross National Product last year and industrial production is stagnant, Sweden has a favorable foreign trade balance and unemployment is beginning to abate. Palme has played for time all winter, looking forward to the normal cyclical economic upturn in the spring, and there is ample reason to believe it will occur. Nevertheless, food prices and local control of government are fundamental issues in Sweden, ones that find public opinion and Social Democratic policy at variance. Palme may discover that, even if he curbs the recession and checks inflation, additional changes in basic party policy on such issues as centralization of authority will be necessary to keep the opposition out of power in 1973.

25X1

Ceausescu's African Journey

The Romanian leader's current tour of eight diverse sub-Saharan and Arab countries is a tour de force designed to emphasize the correctness of Bucharest's approach to international relations and to display his confidence that all is well at home.

Now about halfway through the trip, Ceausescu is using the African forum to drum away at the efficacy of Romania's "principled" approach to foreign relations. By "principled," he means international relations based on universal observance of national independence and sovereignty, non-aggression, equality of rights, and non-interference in internal affairs—concepts Bucharest invokes to minimize Soviet interference in Romania.

Ceausescu hopes in part to promote solidarity with several Third World countries long courted by such disparate friends of Romania as Yugoslavia and China. More importantly, he wants to offset the impact of big-power diplomacy and hedge against Soviet pressures by trying to insert Romania more deeply into the lattice-work of Third World nations that may share a common sensitivity to real or imaginary interference and manipulation by big-power blocs.

The communiqués issued after talks between Ceausescu and the leaders of Algeria, the Central African Republic, the People's Republic of the Congo, and Zaire have resoundingly endorsed the Romanian principles. In particular, the communiqués have pointedly stressed the role of small- and medium-sized nations in advancing the observance of international law.

The same theme is expected to be stressed when Ceausescu stops in Tanzania and Zambia, both of which have close relations with Peking. His next-to-last stop will be in the Sudan, which crushed a Communist plot last year and broke diplomatic relations with Moscow, eliciting only a muted protest from Bucharest. Ceausescu's final stop will be Cairo with which Bucharest restored diplomatic relations last month even though Romania is the only Warsaw Pact member to have diplomatic ties with Israel.

Ceausescu's journey, his first to the African continent, is his longest since coming to power in 1965. His nearly month-long absence from Romania strongly suggests that he is confident about the Romanian domestic scene and that he feels relatively free from foreign pressure. Ceausescu's plans to visit Japan in late May add to this look of confidence.

25X1

SECRET

SECRET

~~Israel Jordan~~

WEST BANK ELECTIONS

Tel Aviv is going ahead with plans to conduct municipal elections in the Israeli-occupied West Bank on 28 March despite a last-minute hitch that could render the whole process moot.

The former mayor of Nablus and the most significant figure in the election, Hamdi Kanaan, withdrew his candidacy on 21 March citing "the ugly atmosphere in the city and future dangers." His statement followed widespread anti-election agitation. Seven members of his slate also reversed their decisions to run. Israeli Defense Minister Dayan reacted to the surprise move by threatening to bring in Israeli troops to govern Nablus if new officials are not elected as scheduled. With the withdrawal of the eight candidates, there are only ten candidates for ten seats on the Nablus Municipal Council. Under Jordanian law, if there are not more candidates than seats, the candidates automatically fill the posts and no election is necessary.



West Bank Mayors

Following the 1967 war, the Israeli occupation authorities allowed most of the incumbent Jordanian municipal officials to stay on and administer pre-war Jordanian laws and regulations in the West Bank towns. Jordan continued to pay their salaries. When their original terms expired, these officials were simply confirmed in office by the Israelis. The Israeli Government announced on 26 November that it would hold elections in Nablus and nine other towns in the northern part of the West Bank. Local Arab politicians at first opposed the Israeli decision, but by 14 March, the deadline for filing, 141 candidates had declared their candidacy, including the mayors of all the towns except Nablus. Some of these candidates may now reconsider in the wake of Kanaan's action.

Much of the Arab confusion and hesitancy over the elections came from the ambivalent stance of the Jordanian Government. At first, Amman opposed the elections, calling Tel Aviv's decision to hold them a contravention of international law and the Geneva Convention. By mid-January, the Jordanian Government became apprehensive lest its continued opposition prevent the traditional leadership from participating in the elections and allow younger anti-Hashimite elements to win by default. It quietly dropped its opposition, at least for a time. ~~King Husayn's announcement of his plan for West Bank regional autonomy may signal yet another change of heart and a reversion to Amman's original opposition.~~

25X1

25X6

SECRET

SECRET

HUSAYN UNDER ATTACK

King Husayn's West Bank proposal has aroused a flurry of criticism and a buzz of activity in the Arab world. The hue and cry may reflect a general Arab recognition that Husayn has taken some of the wind from the sails of the Palestinian resistance movement.

Iraq reacted immediately, spurning the proposal as "defeatist and capitulationist." The comment that emerged a few days later from the fedayeen organizations was shrill: the proposal "liquidated" the Palestinian cause and differed little from Israel's "oppressive" policy toward Palestinians. Fatah again called for the overthrow of Husayn. In this connection, Husayn's plan to leave Jordan in late March for the US has renewed speculation that the King may be the target of a fedayeen assassination attempt.

The Confederation of Arab Republics took several days to react and then concentrated its fire on form rather than substance. Husayn was castigated for attempting to solve a "pan-Arab" problem by himself. All the major Arab governments except Saudi Arabia and Sudan have now publicly rejected the proposal.

There seems to be little concern in Jordan over the negative Arab reaction. In Jordanian eyes, a Jordanian-Israeli understanding on this score is not particularly objectionable so long as the West Bank and East Jerusalem are returned to Jordan's control. Many Palestinians resident in Jordan also view the proposal favorably, seeing it as promising some hope that they can return home. Reaction among Palestinians elsewhere is mixed. According to Israeli press reports, refugees interviewed in Gaza reject the idea of being governed by Husayn under any arrangement, and the

'YOU GOT A NERVE, PROPOSING A PEACE PLAN WITHOUT CLEARING IT.'



press has also carried reports of a demonstration against the plan by school children in Nablus on the West Bank. In general, however, although few West Bankers are enthusiastic about the proposal, few seem inclined at this stage to reject it out of hand.

Cairo is probably not as opposed to the plan as its association with the Confederation statement would indicate. It could not, however, risk silence on the issue, much less give approval, in view of the widespread negative reaction. Among other Arab states and the Palestinian resistance leaders, reaction seems to point to a degree of consternation that Husayn has caught the fedayeen off balance and has pre-empted their position as the self-professed spokesman for the Palestinians' true aspirations.

25X1

SECRET

Page Denied

SECRET

Iran: Dissatisfaction and Dissent

Iran is stepping up its anti-dissident activities amid reports of growing popular dissatisfaction and increasing subversive activity.

Last week, the government executed nine persons convicted of treason, bringing the total for the year to 19. The announcement of the executions followed student demonstrations two weeks ago protesting previous trials and executions. The urban guerrillas have attracted some public sympathy and even admiration because, for many, they provide a vicarious expression of the resentments they dare not express themselves.

Over the past several months, a number of more or less chronic causes of popular dissatisfaction have taken on a sharper edge. Food prices have approximately doubled during the past year, without a proportionate increase in wages, putting a real squeeze on a large part of the population. The clergy, always against the government, has become acutely so. This results from Tehran's efforts to establish a Religious Corps, which the clergy believes, correctly, is an attempt to bring religious activities under control. Official corruption has also come in for an increasing amount of public disapproval.

Meanwhile, the security forces have stepped up efforts to end dissident activities. The move follows an upsurge in acts of sabotage and repeated bank robberies by dissident elements, mostly Iraqi-backed Iranian expatriates.

Fundamentally, much of the dissatisfaction arises from the tensions created by rapid industrialization and attempts to modernize social and governmental institutions. If this sort of dissatisfaction can be differentiated from the subversive activities sponsored by Iran's enemies, primarily Iraq, the security problems should be manageable. The tendency of the Shah and the

security forces to see nearly every expression of discontent as foreign-directed subversion is, however, likely to add fuel to opposition activities.

25X1

Cyprus:

Archbishop on a Tightrope

Archbishop Makarios parried the Cypriot bishops' suggestion that he resign as president in his formal reply on 19 March. He told the bishops that his resignation could lead to violence which, he implied, would be on their heads. He added that, if they were to insist, he would indeed resign. The bishops rejected his warning and on 22 March repeated their request. Makarios is now likely to appeal for public support in an attempt to show that Cypriots will not permit him to step down. The police in Limassol, a city in southern Cyprus where two of the three bishops are staying, are on full alert in anticipation of mass demonstrations and clashes between pro- and anti-Makarios elements.

In Makarios' ten years at the helm, the bishops have never before objected quite so strongly to his dual role.

The Greeks appear confident of their ability to wear down Makarios. They believe that the time gained by the Archbishop's delays will work to Greece's advantage in the long run. Athens believes that violence is virtually certain if Makarios resigns as a result of the bishops' actions. Greece could use such a flare-up as an excuse to intervene.

25X1

25X1

SECRET

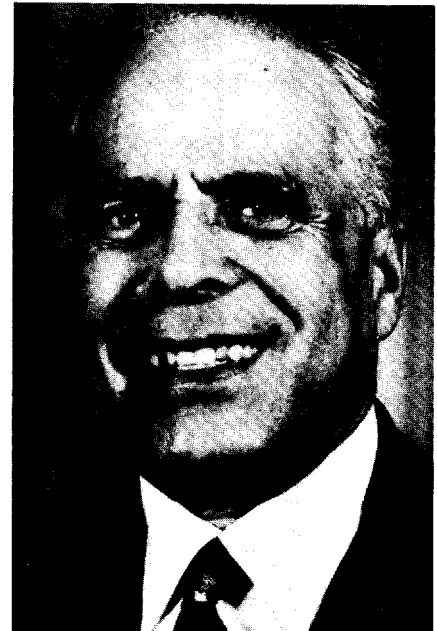
SECRET

Tunisia: The Succession Issue

The issue of presidential succession, a problem that has dominated Tunisian politics for nearly two years, has reared its head again. The liberal-reformist wing of the ruling Destourian Socialist Party favors an elected successor, a solution endorsed by the party congress. President Bourguiba, backed by the party's conservative-loyalist wing, insists on naming his successor, his present choice being Prime Minister Hedi Nouira. The constitution provides for the succession of the prime minister, but a revision of this provision is under study.

A compromise solution seemed probable early this month when the party's political bureau endorsed a proposal, presumably by Bourguiba himself, to create the post of vice president. Later, Bourguiba indicated to a joint meeting of the political bureau and the council of ministers that he had changed his mind, and the meeting adjourned without agreeing on a solution. The President's equivocation has generated serious conflicts within the predominantly conservative government and party leadership.

student and labor discontent. Both student and labor organizations resent the tight controls maintained over them. The always restive students went on strike early last month; their basic demand is new and completely free elections to choose student leaders to replace those elected by a party-controlled minority last



President Bourguiba

August. When the students did not return to class as ordered, two of the five schools of the University of Tunis—involving some 5,000 out of the university's 11,500 students—were closed until fall. A recent wave of wildcat strikes in the south has been settled, but the head of Tunisia's only labor organization, a long-time associate of Bourguiba, has come under attack by the workers, and he may find it difficult to hold the line on demands for new wage increases.

The President's insistence on dominating every facet of Tunisian politics is contributing to

25X1

SECRET

Page Denied

SECRET

25X1

Castro to the USSR Again

The report that Fidel Castro will visit Moscow next May—for the first time since 1964—comes at a time when Cuba is becoming more active in the international arena and when Cuban-Soviet relations are probably closer than at any time since before the 1962 missile crisis. Castro will doubtless seek assurances that the Soviets will not sell out Havana's interests during President Nixon's visit to Moscow this spring. For their part, the Soviets have been concerned about Cuba's stagnant and mismanaged economy and will surely wish to discuss this with their visitor. Two high-level Soviet economic delegations paid working visits to Havana last year, and Cuban President Dorticos spent a week in Moscow in late December, probably deliberating on economic matters.

25X1

Castro's attitude toward violent revolution in Latin America may also be debated. The Soviets and Cubans have at times displayed sharply divergent views on the subject of violent revolution, and Moscow on one occasion branded the Cuban position as "the worst form of dogmatism."

25X1 After his visit to Moscow, Castro may seek to gain added support for his government by visiting several other nations. During his visit to Chile last year, he announced that he had

SECRET

SECRET

accepted invitations to visit Bulgaria, Hungary, and Algeria. Recent reports indicate that he may also visit Poland this year.

Chile This Week

President Allende's suspension of congressional sessions until 28 March marked a week of jockeying for political advantage. Allende wants more time for secret talks with opposition Christian Democrats over the executive-legislative impasse created by congressional insistence on approving nationalizations. Extremists in the government coalition rejected a compromise that Allende had already approved. During a Christian Democratic conclave, party president Fuentealba reiterated the party's commitment to legal opposition and rejected "rightist pressures" aimed at ousting the government. He did rail against the administration for violating democratic rights.

Exaggerated opposition press treatment of mounting rural violence has been attacked by the government as seditious, but Allende is complying with a Supreme Court demand that the executive move immediately to end illegal land seizures by peasants under the leadership of leftist extremists. Tensions were raised in Santiago when officials banned an opposition women's march set for 24 March while promoting a pro-government rally.

The Socialist and Communist parties each held plenums last week. Speakers at both ex-

pressed determination to overcome economic opposition and government ineptitude. They also asked supporters not to let differences weaken the coalition. Allende, addressing his fellow Socialists, warned that Chile may become the victim of an economic blockade and called for ideological unity among all leftist forces, including the extremist *miristas*. At the Communist meeting, Orlando Millas said the opposition was attempting to overthrow the government and urged its adherents to press forward with the revolution in order to avert the establishment of a "terroristic tyranny."

All political parties have agreed to support legislation authorizing electoral pacts for the March 1973 congressional elections. This avoids the problems that would be involved in creating single parties representing the government and its opponents. Differences among opposition parties could make these pacts less advantageous to them than to Allende.

While the focus was on domestic politics, a range of foreign policy questions received attention. During a visit to Santiago by Argentine Foreign Minister de Pablo Pardo, agreement was reached to substitute the International Court of Justice for the British crown as arbitrator in the border dispute. Looking further afield, the Allende government is outdoing itself in preparations for the third meeting of the UN Committee on Trade and Development in Santiago in April. Tanzanian President Nyerere was invited to be the keynote speaker.

25X1

SECRET

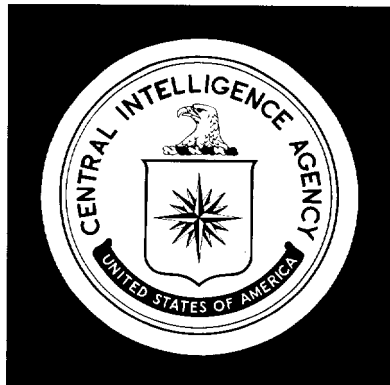
Page Denied

Secret

Secret

Secret

25X1



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

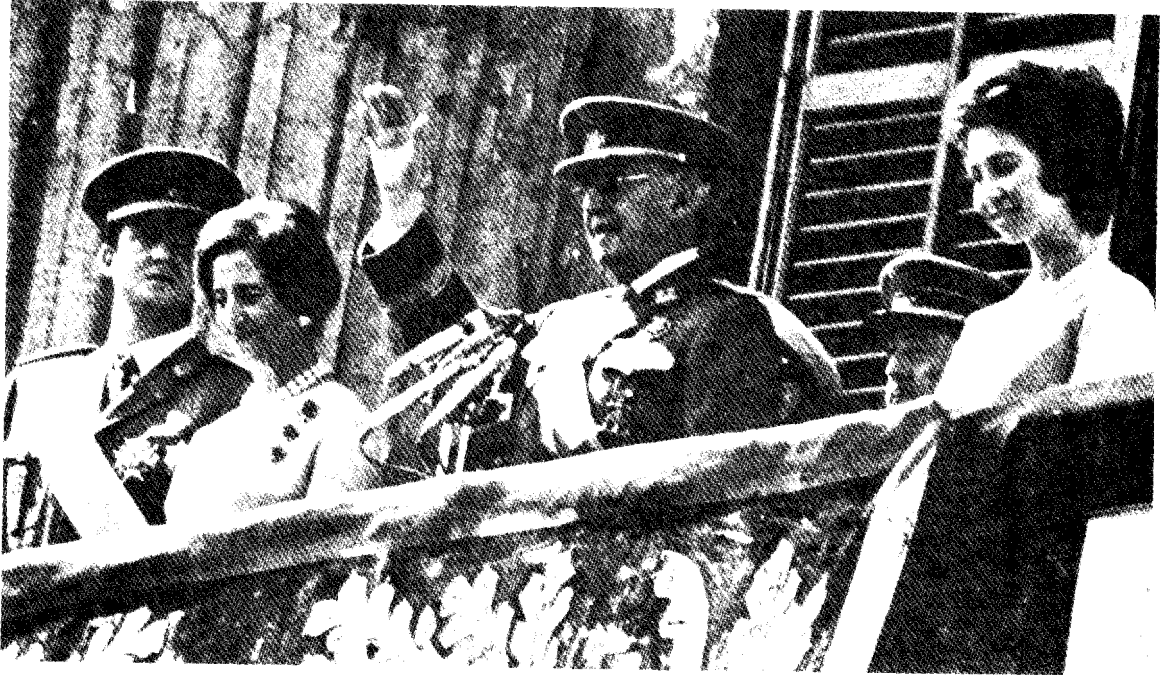
Spain: A Future Without Franco

Secret

Nº 47

24 March 1972
No. 0362/72A

Page Denied



SPAIN: A Future Without Franco



Special Report

- 1 -

24 March 1972

SECRET



Crowd at Franco's 35th Anniversary

As the end of 79-year-old Chief of State Francisco Franco's rule approaches, he is seeking to ensure that his system of government will continue after him. Although Franco over the years has allowed some mellowing of the harsher aspects of his authoritarian rule, he has not and will not tolerate basic changes in the government he designed for Spain. There are dissident elements in Spanish society, but after 35 years in power Franco retains the support or acquiescence of the majority of Spaniards. Franco has taken limited—but relatively significant—steps to prepare for the succession.

Framework for the Future

In 1967, Franco promulgated a new constitution to construct a framework for transition from his more than 35 years of personal rule. By separating the posts of chief of state and chief of government, the new constitution calls for a division of the powers that Franco now holds. Although it contains other provisions that could lead to a gradual liberalization of the regime, the Caudillo has not put them into effect.

Chief of State

In 1969, Franco exercised his prerogative under the new constitution and named Prince Juan Carlos of Borbon to be king when Franco dies or is incapacitated. Juan Carlos, a grandson of the last king, Alfonso XIII, was required to swear to uphold the constitution and the prin-

ciples of Franco's National Movement, the sole legal political organization in Spain. In effect, Juan Carlos pledged to carry on the present regime under a monarchical framework.

Franco could still reverse this decision but he is unlikely to do so, in part because it has the support of military leaders who regard the monarchy as a stabilizing influence and who do not wish to see a post-Franco power struggle. Therefore, Juan Carlos is likely to be sworn in as king within three days after Franco dies or is declared incapacitated. Although some government leaders feel that the transition would be smoother if Franco resigned now as chief of state, the Caudillo ruled out that possibility in his 35th anniversary speech last fall.

The populace greeted Juan Carlos' designation as future king with indifference. Franco had kept the young prince in the background. There has been little enthusiasm for the re-institution of a monarchy from people who cannot recall a chief of state other than Franco.

25X6

SECRET

SECRET

25X1

25X1

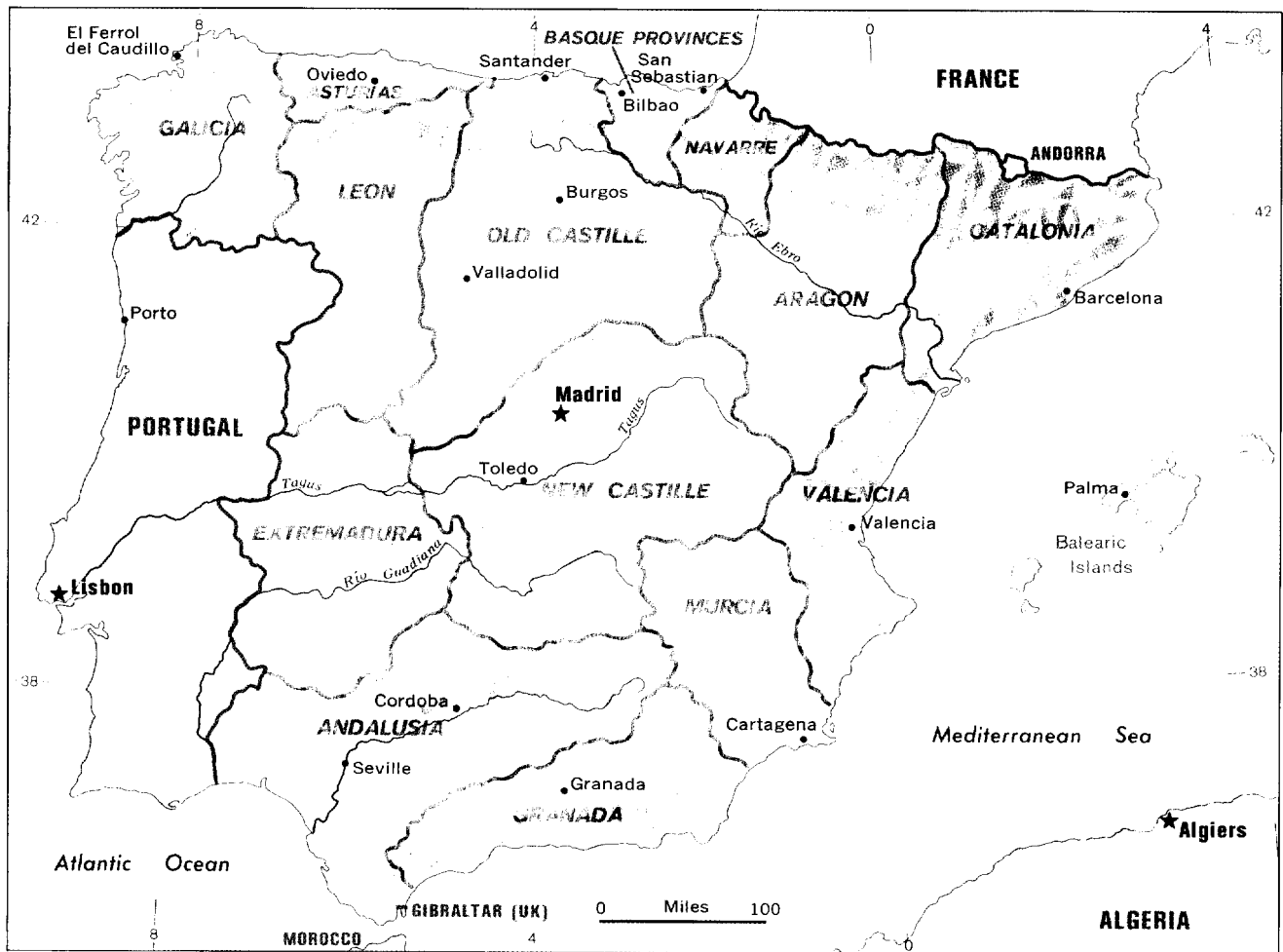
On 1 October last year, with approximately one million Spaniards assembled in Madrid to celebrate the 35th anniversary of Franco's rule, the Caudillo referred to the fact that after his own demise Juan Carlos would carry on as king. The statement drew thunderous applause.

Most Spaniards presume that Juan Carlos, no matter what his talents, will be a figurehead king with the prime minister exercising the real power.

Any tendencies toward liberal rule that Juan Carlos may hold are likely to be checked by the

SPAIN

Historic region boundary



552670 3-72

Special Report

- 3 -

24 March 1972

SECRET

SECRET

25X1

marriage on 8 March of Franco's eldest granddaughter to Prince Alfonso of Borbon, who is also a grandson of the late king Alfonso XIII. The presence in the wings of a well-connected, more conservative prince will make Juan Carlos cautious.

Cabinet

In addition to designating Juan Carlos as next chief of state, Franco in 1969 shook up his cabinet. Given his age and tendency to hang on to familiar faces, Franco's cabinet choices were an important move to prepare Spain for the future. This cabinet probably will carry the country into the post-Franco era. In choosing the new cabinet, Franco departed from his habit of balancing power among key groups. Instead, he assigned the

greatest number of posts to economic specialists associated with the semi-secret Catholic lay organization, Opus Dei. These technocrats give economic modernization and a loosening of state economic controls priority over political liberalization. They are European-minded and wish to increase Spain's ties with Europe. They are, therefore, willing to support cautious political liberalization in order to improve Spain's stature abroad.

Opus Dei members insist that they are not subject to central political guidance from their leadership and that the society is devoted exclusively to spiritual goals. But critics still charge that Opus Dei is intent on controlling the nation's economic, political, and educational life. The society has attracted a wealth of managerial talent and Franco, recognizing Spain's need for such



Franco at Granddaughter's Wedding to a Prince

Special Report

- 4 -

24 March 1972

SECRET

SECRET

25X1

skills, has kept the Opus Dei — dominated cabinet in spite of pressures to drop it. Such pressures intensified in the wake of the Matesa financial scandal, in which large sums of export credits granted by the government allegedly were misused by officials of the company. Several Opus Dei officials were implicated, and this damaged the society's reputation for probity. Ultimately, three former Opus Dei ministers were indicted, but the present foreign minister and the minister of education were cleared.

To counteract the loss of prestige from the Matesa case, the technocrat faction in the cabinet decided to expand its influence by working for the appointment or election of Opus Dei members to the Cortes (legislature) chosen last fall. Although Opus Dei improved its position in the Cortes, it failed to gain dominance in the Council of the Realm, the body that will help choose a prime minister when Franco relinquishes that post. Opus Dei's chances of controlling the selection of a new chief of government have thereby lessened; indeed, it will probably have to negotiate with other factions to stay in power after Franco goes.

Prime Minister

Rumors persist that Franco will soon give up his position as prime minister. Because Franco already leaves much of the day-to-day business of running the government to Deputy Prime Minister Admiral Carrero Blanco and to the cabinet, the Caudillo really has little reason to give up the post of prime minister. Many government officials would prefer that Franco designate a prime minister now while he can control the choice. If Franco were to do so, he probably would choose Carrero, a rather colorless 64-year-old bureaucrat whose chief asset is his long association with Franco. Because the admiral wants the economic expertise of the Opus Dei technocrats, he would probably keep them in the cabinet. But in spite of the influence of his Opus Dei colleagues, Carrero's reputation as a close associate of Franco and as a hard-line, unimaginative reactionary might not

facilitate acceptance of Spain into NATO or the European Communities.

If the choice of prime minister is left until a new chief of state takes over, Carrero's chances would be considerably reduced. He is not popular among the military leaders, who feel he is not a proper admiral at all, having been promoted to that rank despite a lack of suitable sea service. These leaders may insist on one of their own for the post. The chief of the high general staff, General Manuel Diez Alegria, or one of the chiefs of the nine military regions are possibilities. Diez Alegria is notable among Spanish military men for his European outlook and for his espousal of gradual change in the direction of a freer society once Franco is gone. He also works well with the Opus Dei technocrats. He might not be acceptable to some of the hard-line regional military commanders.

If the military chooses to remain in the background, a member of the present cabinet could get the post. One leading possibility is Minister of Economic Development Laureano Lopez Rodo, a leader in Opus Dei. Lopez Rodo would continue to emphasize economic goals. Another strong contender is Minister of Foreign Affairs Gregorio Lopez Bravo, a dynamic personality and favorite of the press. With him as prime minister, Spain's chances of closer association with Europe would be improved. Franco is said to be very pleased with his performance as foreign minister. Lopez Bravo has clashed with Juan Carlos and might not have the prince's backing.

Other possible choices include former cabinet members. Among these is Federico Silva Munoz, former minister of public works and a member of the National Association of Catholic Propagandists, a rival of Opus Dei. He resigned in 1970 to separate himself from the Opus Dei — dominated cabinet and to build more support for himself as an alternative who is loyal to Franco. He favors gradual political evolution in the post-Franco era. His abilities as minister and his television appearances have won him wide public

SECRET

SECRET

25X1

support. He would be more able than Carrero Blanco—and less able than Lopez Bravo—to promote Spain's acceptance into West European organizations.

The Military: For Preserving Order

Franco's authoritarian system has rested chiefly on support by the army; the conservative business, banking, and land-owning interests; the Roman Catholic Church; and, to a lesser degree, the National Movement. Franco has played these groups off against each other and, by timely shifts of power, has prevented any one of them from becoming too powerful. They all see a prospect, once the Generalissimo's hand is removed, that they will have greater scope for political expression. They are making their plans to enhance their own positions accordingly.

The army is by far the strongest of the power groups. Army officers have consistently been given posts in the cabinet, and many have been appointed to the boards of business firms and banks. The army is united in loyalty to Franco and in a commitment to preserve order, but it has internal differences about how much reform is desirable in a post-Franco era. Some officers have joined with police and old guard fascist elements of the National Movement—the Falangists—to oppose any liberalization at all. Other officers support the Opus Dei technocrats in their efforts to modernize the economy and relax the more rigid controls on political freedom. For the most part, the military has preferred to stand aside from politics and to intervene only when there is a threat to public order or to military prestige. All in all, military leaders are likely to back those who can best preserve order after Franco departs.

As senior generals whose service dates back to the Civil War fade from the scene, younger officers drawn from the more European-minded middle class may slowly swing the army toward a less authoritarian political system. As in most armies, younger officers complain because promo-

tions are slow and pay has not kept pace with civilian pay. Discipline is good, however, and discontent among junior officers is unlikely to get out of hand.

The Burgos trial of 16 Basque terrorists in December 1970 brought the military into sharp conflict with a modest government effort toward liberalization. The hard liners—including many in the military and the security police as well as the Falangists—wanted a military trial culminating in death verdicts to discourage terrorism. The moderate cabinet ministers and those government officials who wish to associate Spain with Western Europe, wanted leniency. The church, opposition groups, students, and labor also protested against the trials. The military grew angry over the government's failure to control criticism. Franco eventually decided to allow the military trials and a death sentence. This satisfied the military but, in line with his habit of balancing the interests of all concerned, Franco allowed an open trial and later commuted the death sentences. The contretemps led observers to speculate on the implications for the future: if a similar conflict were to arise without Franco to arbitrate, could differences be resolved without a military takeover?

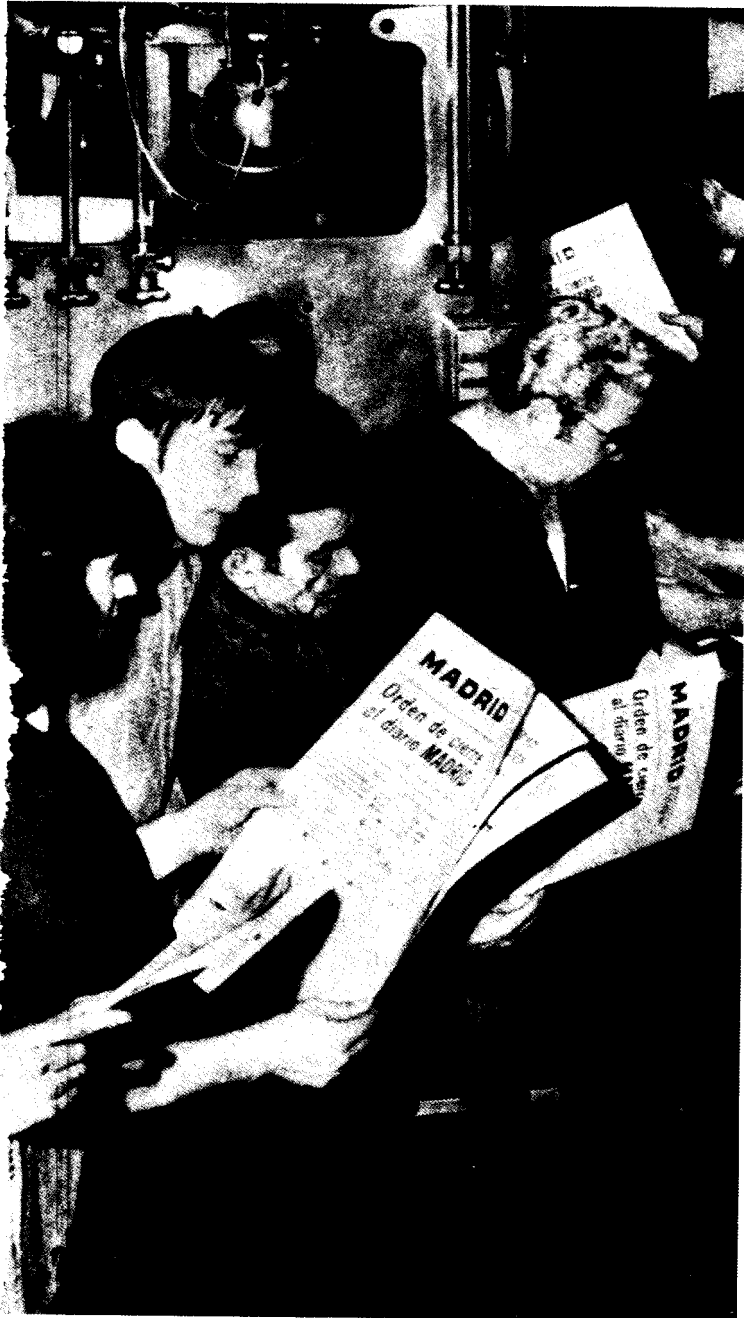
The military joined with Falangists and veterans' groups in organizing successful large rallies in support of the trial and Franco. Reportedly surprised by the success of these rallies and concerned about the military disapproval of the government's handling of the situation, the cabinet has taken steps to placate law and order sentiment in the military.

The suspension of habeas corpus decreed during the trial was continued for six months, during which the police arrested over 2,000 persons; most of them were released after a short detention, but some 228 persons were still being held when the suspension was lifted. A stiff public order law was passed in July 1971, aimed as much at controlling professional and middle-class political activity as at worker and student

SECRET

SECRET

25X1

Employees learn of *Madrid's* closing.

groups. Orders, warnings, and threats have been issued to the press to curtail criticism of the government. The campaign against the press was highlighted by the closure and forced sale of the newspaper *Madrid*. Plans to relax the ban on political parties by allowing tightly controlled political associations to be formed within the National Movement were put aside.

Labor: Most Likely to Cause Trouble

Workers, students and, to a lesser degree, the church do not share the military's satisfaction with the regime. Under Franco's corporative system, the only legal labor body, the Syndicate Organization, is under government control. Workers do not feel that the syndicates represent their interests effectively. To counter this, syndicate officials drafted a new and more liberal law reducing government controls. But the cabinet so watered down the law that the version finally passed by the Cortes last year had little effect.

Labor discontent has led to a proliferation of groups that aim to improve the lot of the workers. Some, sponsored by Catholic organizations, are tolerated within narrow limits by the regime. Others, sponsored by illegal political organizations opposed to Franco, are suppressed by the police. One of the most active of the latter groups is a grass-roots, loosely confederated one known as the Workers' Commissions. Communists and Catholics collaborate in these commissions with far rightists, Socialists, and the apolitical. In spite of their illegal status, the Workers' Commissions have had some success in organizing demonstrations and in getting plant managers to negotiate with them as the legitimate spokesmen of the workers. In some plants, the Workers' Commissions have penetrated the government syndicates by getting their own candidates elected as shop stewards. The Workers' Commissions hope to build an organization so strong that the government will have to treat with it.

Strikes are illegal in Spain, but work stoppages occur periodically in spite of the harsh

SECRET

SECRET

25X1

measures employed to prevent them. Of the several serious strikes over the past year, some have involved demands for wage increases to meet the rise in the cost of living. Others have been protests against labor legislation and rules governing dismissal of workers. The technocrat cabinet and the syndicate leadership have been more willing than their predecessors to allow labor and management to settle disputes among themselves. The government has called in the police to break up protests, and a willingness to use force is still the regime's prime method for keeping a lid on labor.

Since last Christmas, there have been relatively few labor disturbances. Workers have been waiting to see how they fare in the collective bargaining contracts now being negotiated in a number of major industries. An exception has been the Basque area, where a labor dispute led the Basque Fatherland and Liberty terrorists to kidnap a Basque businessman. He was released after management met most of the kidnapers' demands, including reinstatement of 183 fired workers and a wage increase. The police then arrested some 30 alleged members of the terrorist group, who are now awaiting trial in connection with the kidnaping. Another serious incident was the bloody clash on 10 March in El Ferrol del Caudillo on the northwest coast between the police and some 3,000 shipyard workers who were protesting the dismissal of six fellow workers. Labor is the element most likely to cause trouble in the post-Franco period. Well aware of this, the government is likely, at least in the immediate aftermath of Franco's death, to use force to prevent serious agitation. Thereafter, much will depend on how well the government adjusts to labor's demands for a free labor organization and better wages.

The Students: Always Troublesome

Only a minority of students are politically active, and they do not pose a serious threat to the present regime or to a post-Franco government. They are an irritant to a regime that will not tolerate demonstrations and is slow to adjust

to demands for change. Activist students have sought reform of the official student organization and have demanded organizations of their own. Conflicts were inevitable. Police have suppressed periodic demonstrations, and universities have been closed to allow tempers time to cool. Usually, the threat to cancel examinations with a subsequent loss of credit for the year has been sufficient to stop the students.

Nonetheless, there were violent confrontations between students and police in 1967-68, when protests against the regime were added to demands for university reforms. In January 1969, after prolonged student-worker demonstrations, the authorities reacted strongly. They closed indefinitely the universities of Madrid and Barcelona. A 90-day state of emergency was proclaimed, and certain civil rights were suspended. The authorities also arrested over 1,000 persons and shipped some 35 individuals to remote Spanish provinces for the duration of the state of emergency. By early March 1969, the situation was sufficiently quiet to persuade the government to reopen the universities and lift the state of emergency. The authorities took the precaution of placing police and plain-clothes' agents in the universities to maintain order.

In January of this year, the police again took strong action against students demonstrating at Madrid University. Although the clashes were precipitated by the suspension of 4,000 medical students protesting a change in their curriculum, the unrest had more fundamental causes. Students resent the presence of uniformed and plain-clothes' police on the campus. Many deans are ineffective and hostile to the students. In addition, a polarization of students has been brought on by the disruptive tactics of a small but militant group of extreme leftists—including a number of Communists—who have clashed with an even smaller group of extreme rightists. Underlying these factors is campus opposition to authority in general and to the Spanish establishment in particular.

SECRET

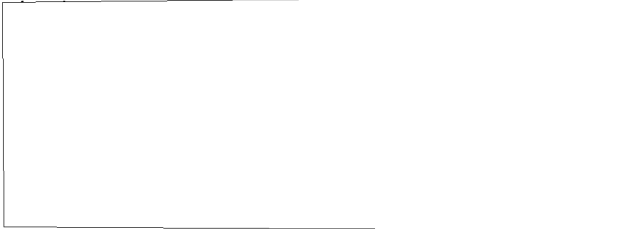
SECRET

25X1



Demonstrating Madrid students flee police.

Some students appear to be turning up their political and organizational activities.



A student general strike was called for the first six days of March, and this led to disturbances throughout the country. The university situation is likely to remain unsettled, but authorities will keep matters under control through police action and, when necessary, by closing colleges. Improvements in educational facilities are planned, and these should help reduce tensions.

Church and State: Another Irritant

Church-state relations have deteriorated in recent years. Both the Vatican and a majority of the Spanish clergy want to disassociate the church from Franco's regime, but neither is prepared as yet to face the loss of state subsidies. The church is hard put to reconcile the concept of social

justice with the labor policies of the government. The state wishes to retain its influence over the church. The Vatican has asked the Spanish Government to renounce its voice in ecclesiastical appointments, but Madrid is unwilling. Church-state relations were strained last September when the Assembly of Spanish Bishops and Priests called for broader recognition of human rights in Spain and the independence of church and state.

Last December—possibly as a gesture of good will to reduce tension—the government agreed to a reshuffling of bishops. As a result, liberal bishops were appointed to head six of the seven dioceses involved. The most significant change was the appointment of Cardinal Enrique y Tarancon as bishop of Madrid-Alcala, Spain's most important diocese. He is an advocate of an active social role for the church. The principal victory for the government was the transfer of the liberal Bishop Cirarda from Santander, where he also had responsibility for Bilbao and the Basque area, to the deep southern province of Cordoba. Hard liners in the government did not approve of Cirarda's sympathy with the nationalism and labor grievances of his fellow Basques.

SECRET

SECRET

25X1

With relatively liberal men in the principal ecclesiastical posts, the church is in a better position to work with political groups that want a stronger role for labor. As part of the price for the government's concurrence in these liberal appointments, the church may have agreed to concentrate on social action and to soft-pedal political reform. This did not stop a church subcommittee from taking the government to task a short time later for its unjust social and economic policies. Franco himself, in his traditional year-end message to the people, warned the church against interference in temporal affairs. At his investiture as Archbishop of Madrid-Alcala in early January, Cardinal Enrique y Tarancon pledged to speak up for "those without voice to defend their legitimate aspirations." This was a clear reply to Franco's warning and indicates that the church has changed from a pillar of the regime to a major political irritant.

The Opposition Parties: A Distant Prospect

The traditional opposition parties—Christian Democrat, Socialist, Communist, and Anarchist—are illegal, fragmented, and powerless. They are for the most part survivals of former political parties and regional organizations. Practically all of them, except for a few extremist bands, are resigned to waiting out Franco's passing to obtain political rights and a role in the government.

Some of these groups would like to see a provisional government installed after the passing. This provisional government would call a constitutional convention to decide on the form of government and to formulate guarantees for political liberties. Because the chances of this happening are very poor, the opposition will have to settle for working to liberalize the present system; for example, by working with labor and students to bring more effective pressures for change and agitating for legal political status.

If political parties should be legalized, none of the present opposition parties looks strong enough to win a dominant position. The Social-

ists, using the nucleus of a clandestine trade union—the General Union of Labor—would have an initial advantage. They would also benefit from the traditional anti-clericalism of many Spanish workers and intellectuals as well as from the financial support of West European Socialists and trade unionists. At present, they are badly split between those who accept direction from elderly Socialist leaders in exile and those who support a self-proclaimed "interior" Socialist group led by the intellectual Tierno Galvan.

The Christian Democrats have a potentially strong party, which would draw support from religious organizations, businessmen, and intellectuals. But they are also badly split. Various active Catholic groups exist, but some of them would prefer a secular Social Democratic Party. The Communist Party has some influence in the illegal Workers' Commissions, but its leadership is under fire from dissident elements. Moreover, the Communist Party is not likely to be legalized soon, even if other parties are, and its ability to work with other groups and to develop a popular base is limited by widespread hostility to Communism.

In the Basque provinces and in Catalonia, regional groups demand greater cultural, economic, and political autonomy from Madrid. The small, terrorist organization Basque Fatherland and Liberty dramatizes its extreme demands with bombings but is no threat to the government. Some 300 Catalonians met secretly in Barcelona last November to draft a program of resistance to the Franco regime and to plans for Prince Juan Carlos to succeed Franco. These goals are beyond the reach of such a group, but it may succeed in revitalizing opposition forces in Catalonia and contributing to political agitation in the post-Franco era.

The Economy: A Bright Spot

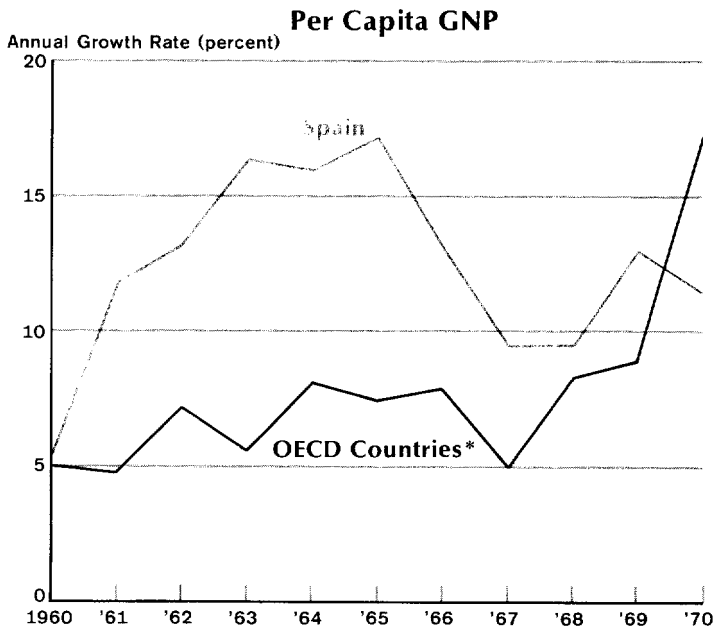
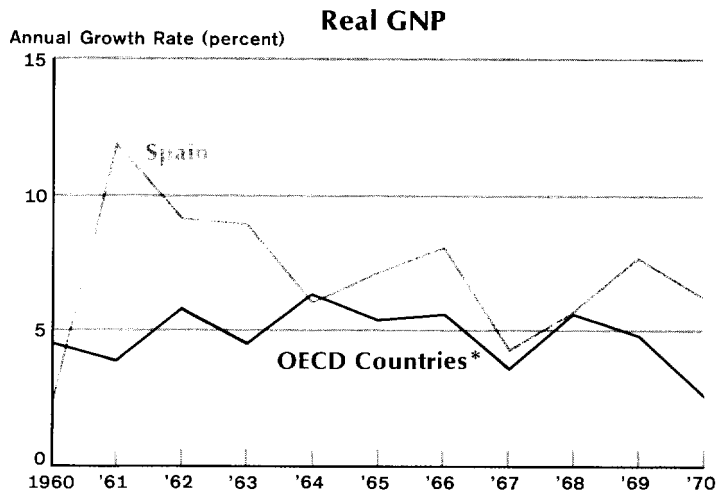
The strong performance of the Spanish economy in the 1960s promoted the stability of the Franco regime, and continued economic progress

SECRET

SECRET

25X1

Spain: Growth of Real and Per Capita GNP, 1960-1970



*The Organization for Economic Cooperation and Development has 23 members: all West European countries plus Australia, Canada, Greece, Japan, Turkey and the United States.

552671 3-72

obviously would improve the staying power of any successor government. Spain achieved a seven-percent annual growth rate in the 1960s, one of the highest in Europe. Before that, Spain's economic stagnation had been chronic since the Civil War and had forced Franco in 1959 to agree to abandon traditional policies of autarky in favor of modernization and an open-door policy toward foreign investment. With an expanding domestic market, relatively low labor costs, comparative freedom from labor strikes, and a generous governmental attitude toward foreign ownership, repatriation of profits, and low tax rates, Spain attracted a good deal of direct investment from abroad. It zoomed from \$36 million in 1960 to \$222 million in 1970. Moreover, Spanish traders and industrialists soon discovered that, given their low labor costs, they could compete readily in European markets. By 1971, per capita gross national product was but \$31 shy of the \$1,000 mark sometimes used as the benchmark of a modern Western economy.

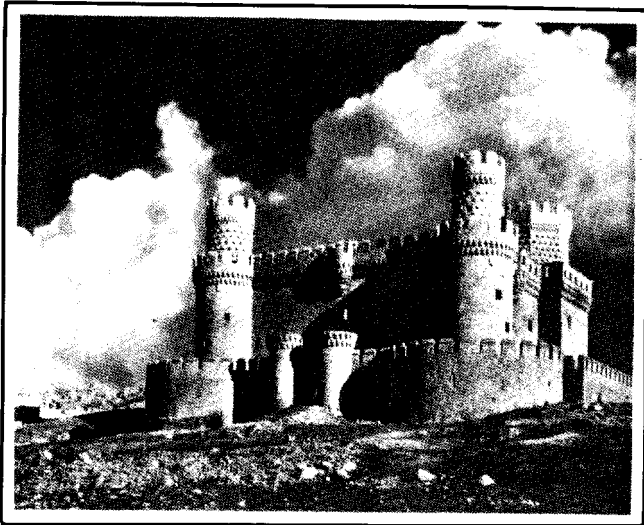
Rapid economic expansion led to vast imports and a yawning trade deficit that reached \$2 billion in 1971. The tourist boom, foreign investment, and remittances from Spaniards working abroad, nevertheless, moved Spain into a positive over-all balance-of-payments position. Tourism receipts alone covered about 80 percent of Spain's trade deficits in the 1960s and 95 percent in 1971. Indeed, Spain was not only able to cover its trade deficits but to accumulate large foreign exchange reserves which amounted to \$3.2 billion in 1971.

The economy will more than likely continue to progress if the transition period after Franco goes is relatively smooth. Despite a slowdown in late 1970 and 1971, Spain should experience strong economic growth in 1972 and into 1973. The 1972 budget and 1972-75 Third Development Plan are geared toward expansion, calling for an annual growth rate of seven percent or more and a \$13-billion increase in public investment over the next four years. Exports, which now finance almost 60 percent of total imports,

SECRET

SECRET

25X1



are expected to continue growing at an accelerated rate.

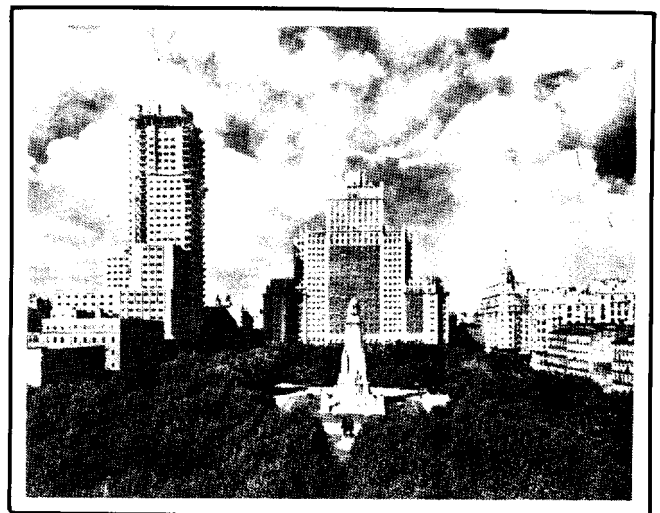
With a continued sound basic balance-of-payments position, rapid domestic growth, and growing export markets in both Western and Eastern Europe, Spain will continue to attract foreign investment. There are already signs that Spain could become a production base for many of Europe's multi-national companies—a prospect that increased with Spain's 1970 preferential trade agreement with the European Communities.

Nevertheless, Spain faces a number of serious economic problems. Wages as a proportion of gross national product have been stagnant over the past decade and have barely kept ahead of rising prices. Although wages rose 13 percent in 1971, for example, the real increase was only 4.6 percent because prices rose 8.4 percent. The wage lag is the most serious source of labor unrest in Spain and could exacerbate social frustrations and make for an uneasy transition period. There seems to be a growing awareness in Madrid, however, of the need for increased "social development" and for governmental intervention in the economy to ensure balanced economic growth in the 1970s.

Another problem is the approaching entrance of one of Spain's principal trading partners, the UK, into the European Communities. This threatens to make obsolete the 1970 preferential trading agreement with the EC. Once Britain goes behind the EC tariff fence, French and Italian products will have a strong competitive edge over Spanish products that now enjoy a good market in the UK. The EC is ready to consider revising the present agreement to cover the new situation through adjustment of commodity coverage and tariff levels. But Madrid officials hope for a new agreement that will also clarify the timing of eventual Spanish association with the EC. There are strong objections from some EC members to permitting the Franco regime to become an associate or full member, and Madrid's chances of getting such a commitment are no better than in 1970. The government does have some time to work for political liberalization to aid in reaching its goal of association and eventual membership in the EC.

Outlook

As long as Franco remains in power, the problems facing his regime can be kept under control. The succession law that he devised probably will be followed and Juan Carlos will be



SECRET

SECRET

25X1

installed as king. The recent appointments of three more hard-line Falangist generals to top military posts may complicate efforts of the present technocrat cabinet to remain in power. Although the first post-Franco government will undoubtedly remain authoritarian, pressures to lift present political controls, at least partially, are likely to grow. Many within the Spanish establishment favor economic and social reforms and a gradual evolution toward a freer political life. Thus, even within the regime there will be forces working for change. Improved economic conditions have given more people a stake in society and more reason to work for orderly change. The impact of better education and contacts with freer Europeans have reduced the old animosities of class, religion, and politics which so divided Spaniards in the past. These influences, too, will improve chances for gradual progress toward a more open society.

Other factors could upset the situation after Franco. If the government makes changes too

slowly, popular aspirations for social, economic, and political reforms could provoke widespread protests. Both workers and students are capable of causing trouble, especially if encouraged by the various opposition parties and labor unions. A recession or serious inflation would stimulate support for protests. If unrest were to become widespread, the military probably would take over in the name of stability. But given the expectations that Franco's passing is sure to arouse, a military take-over might prove only a temporary solution, and a period of great instability could follow.

As of now, the progress that the present government has made in stimulating the economy and in promoting modernization and Europeanization has a good chance to continue. If the trend25X1 holds, the possibilities will improve for an evolution from the present government to a more responsive system.

— ♦ ♦ ♦ —

SECRET

Secret

Secret